

Message Text

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PAGE 01 COPENH 00888 160758Z

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAG EFIN, PINT, DA

SUBJECT: SOCIAL DEMOCRATIC MINORITY GOVERNMENT FACES UNCERTAIN
BUDGET VOTE

SUMMARY. FAILURE TO REACH AGREEMENT WITH MAJOR OPPOSITION
LIBERAL PARTY ON BUDGETARY SAVINGS BEYOND THOSE AGREED IN
BROAD POLITICAL COMPROMISE LAST SEPTEMBER COULD PREVENT
FY76/77 BUDGET ADOPTION BEFORE CONSTITUTIONALLY
DETERMINED APRIL 1 DEADLINE AND LEAD TO UNWANTED NATIONAL ELECTIONS.
HOWEVER, INTENSIVENEGOTIATIONS WITH SMALL CENTER PARTIES
(RADICALS, CHRISTIANS, AND CENTER DEMOCRATS) HAVE FOR
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PAGE 02 COPENH 00888 160758Z

THE TIME BEING STAVED OFF IMMEDIATE ELECTION DANGERS.

END SUMMARY

1. PM ANKER JORGENSEN'S MINORITY GOVERNMENT HAS SINCE LAST NOVEMBER BEEN INVOLVED IN DIFFICULT NEGOTIATIONS ON BUDGETARY SAVINGS FOR FY 76/77 WHICH BEGINS APRIL

1. ABOUT \$100 MILLION SAVINGS WERE AGREED LAST SEPTEMBER AS PART OF BROAD COMPROMISE WHICH INCLUDED MAJOR LIBERAL OPPOSITION PARTY. COMPROMISE ALSO INCLUDED PLEDGE FOR ADDITIONAL SAVINGS IN SIMILAR AMOUNT TO BE NEGOTIATED LATER. IT SOON BECAME CLEAR, HOWEVER, THAT LIBERALS WOULD NOT ACCEPT GOVERNMENT'S BUDGET PLAN WHICH, THEY INSISTED, CONTAINED INSUFFICIENT SAVINGS OF WHICH ALSO CONTAINED ADDITIONAL EXPENDITURES OVER AND ABOVE THE ORIGINAL PLAN.

2. ALTHOUGH THE GOVERNMENT CAN COUNT UPON THE PROBABLY SUPPORT OF THE THREE LEFT WING PARTIES IN THE FOLKETING, FAILURE TO REACH AGREEMENT WITH THE LIBERALS HAS PLACED THE GOVERNMENT IN A CRITICAL POSITION WHICH COULD LEAD TO A MAJORITY AGAINST THE BUDGET, HENCE TO NATIONAL ELECTIONS. THERE IS STRONG PRESSURE FOR BUDGETARY RESTRAINT FROM BOTH CONSERVATIVES AND FROM MR. GLISTRUP'S PROGRESSIVE PARTY, BUT THESE PARTIES DO NOT, EVEN WITH LIBERAL SUPPORT, MUSTER A PARLIAMENTARY MAJORITY. THE POSITION OF THE THREE SMALL CENTERPARTIES WHICH ALSO PARTICIPATED IN THE SEPTEMBER 1975 COMPROMISE IS THUS DECISIVE.

3. IT WAS CLEAR EARLIER THAT JORGENSEN COULD COUNT UPON THE SUPPORT OF THE RADICALS AND THE CHRISTIAN PEOPLE'S PARTY. IT WAS MORE UNCERTAIN, HOWEVER, WHERE POLITICAL MAVERICK ERHARD JAKOBSEN WOULD LEAD HIS 4 CENTER DEMOCRATS. MOREOVER, RADICALS AND CHRISTIANS WERE NOT KEEN UPON SUPPORTING THE GOVERNMENT IF IT WAS GOING TO FALL ANYWAY.

4. DURING NIGHTLY NEGOTIATIONS LAST WEEKEND, IT WAS FINALLY DETERMINED THAT THE THREE SMALL CENTER LIMITED OFFICIAL USE

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PARTIES WOULD SUPPORT THE BUDGET IN GENERAL BUT THAT SOME OF THEM MIGHT STILL MAINTAIN THEIR PREVIOUSLY DECLARED SUPPORT OF ADDITIONAL SAVINGS MEASURES. THIS MEANS THAT THE GOVERNMENT COULD FACE A MAJORITY AGAINST SOME SELECTED BUT SMALL BUDGET ITEMS. PM JORGENSEN ACCEPTED THIS AS PERTAINING TO NON-CABINET ISSUES AND DECLARED THAT THERE WOULD BE NO QUESTION OF NATIONAL ELECTIONS OVER THE NEW BUDGET.

5. COMMENT: THE INTENSE POLITICAL NEGOTIATIONS OVER BUDGET ITEMS TOTALLING SOME FEW HUNDRED MILLION KRONER ARE OUT OF PROPORTION WHEN ONE CONSIDERS THAT THE NEW BUDGET WILL INEVITABLY SHOW A DEFICIT OF ABOUT 16 BILLION KRONER (\$2.6 BILLION OR ABOUT 7-8 PERCENT OF GNP). THESE VERY LARGE DEFICITS HAVE ARISEN IN THE WAKE OF THE RECESSION WHICH CURTAILED REVENUES AND INCREASED SOCIAL BENEFIT EXPENDITURES. THEY CANNOT BE AVOIDED UNTIL ECONOMIC TRNSES ARE DRASTICALLY REVERSED. MINOR BUDGETARY SAVINGS EFFORTS HE LITTLE PRACTICAL PURPOSE, BUT, AS RECENTLY DEMONSTRATED, CAN BE EXPLOITED POLITICALLY AND MIGHT COMPLICATE THE POSITION OF JORGENSEN'S WEAK GOVERNMENT TO THE POINT WHERE HE WOULD PREFER TO CALL ELECTIONS. ELECTIONS NEXT FALL WOULD BE MORE LIKELY THAN AT PRESENT, HOWEVER, SINCE NEITHER THE SOCIAL DEMOCRATS NOR THE LIBERALS ARE INCLINED TOWARD GOING TO THE COUNTRY NOW.
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